

Message Text

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TO SECSTATE WASHDC 2397

INFO AMEMBASSY LIMA

AMEMBASSY BLANTYRE

AMEMBASSY KINSHASA

AMEMBASSY SANTIAGO

AMEMBASSY DAR ES SALAAM

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EO 11652: N/A

TAGS: ECON EGEN EIND ZA

SUBJECT: ANNUAL REPORT OF ROAN CONSOLIDATED MINES

1. ROAN CONSOLIDATED MINES (RCM) 1975 ANNUAL REPORT JUST RELEASED SHOWS PRODUCTION FOR YEAR ENDING JUNE 1975 UP marginally FROM PREVIOUS YEAR TO 288,000 TONS. SALES REVENUE DOWN \$215 MILLION FROM PREVIOUS YEAR. REPORT NOTES THAT IN SECOND HALF OF YEAR COSTS OF SALES, INCLUDING ADMINISTRATIVE AND SELLING EXPENSES, APPROACHED TOTAL SALES REVENUE. RCM MADE NET PROFIT OF \$50.5 MILLION (VS. 123.9 MILLION IN YEAR ENDING JUNE 1974). HOWEVER, MAJOR IMPACT ON ZAMBIA OF DEPRESSED COPPER PRICES SEEN IN REDUCTION IN AMOUNT OF TAXES PAID FROM \$225 MILLION IN PREVIOUS YEAR TO \$15 MILLION IN YEAR ENDING JUNE 1975.

2. IN STATEMENT ACCOMPANYING REPORT, RCM CHAIRMAN AND MINISTER OF MINES AND INDUSTRY A.J. SOKO NOTES WITH REGRET THAT ATTAINMENT OF ZAMBIAN CONTROL HAS COINCIDED WITH FORMIDABLE PROBLEMS OUTSIDE CONTROL OF MANAGEMENT - GLOBAL INFLATION, DEPRESSED COPPER PRICES AND CLOSURE OF MAJOR TRANSPORT ROUTE THROUGH ANGOLA. SOKO NOTES THAT PRODUCTION COSTS ROSE 18 PERCENT COMPARED
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WITH 13 PERCENT IN YEAR BEFORE. (COST OF PRODUCTION FREE

ON RAIL ROSE TO \$966 PER TON). AS RESULT OF INCREASING LIQUIDITY PROBLEMS AND LOW LEVEL OF PROFIT, COMPANY AGAIN PROCED FOREGO QUARTERLY DIVIDENDS.

3. SOKO REPORTS COMPANY "IN SERIOUS FINANCIAL DIFFICULTIES". MORE OUTSIDE FINANCING WILL BE REQUIRED ABOVE THAT ALREADY NEGOTIATED. CAPITAL SPENDING PLANS CURTAILED.

4. RE TRANSPORT ROUTES, "NO RELIABLE INDICATION OF WHEN LOBITO ROUTE MAY BE REOPENED." ROAD ROUTE THROUGH MALAWI TO NACALA IN MOZAMBIQUE HAS NOT ACHIEVED ANTICIPATED RATE OF MOVEMENT. ONLY BRIGHT SPOTS ARE LESSENING OF PORT CONGESTION AT DAR ES SALAAM, ENCOURAGING TRIAL RUNS ON TANZAM RAILROAD, AND ESTABLISHMENT OF EMERGENCY ROAD LINK FROM KATETE TO BEIRA IN MOZAMBIQUE.

5. EARLIER REPORT OF LARGEST ZAMBIAN COPPER COMPANY, NCHANGA CONSOLIDATED COPPER MINES, BASED ON ACCOUNTING YEAR ENDING MARCH 31, 1975, SHOWED COPPER REVENUE DOWN \$118 MILLION FROM PREVIOUS YEAR ON SALES OF 396,000 TONS. PRODUCTION VIRTUALLY UNCHANGED AT 408,000 TONS. TAX REVENUE TO GRZ DROPPED FROM \$256 MILLION IN PREVIOUS YEAR TO \$122 MILLION IN YEAR ENDING MARCH 1975.

6. COMMENT: CONSIDERABLE ESCALATION IN COST OF PRODUCTION SINCE MID-1975 PLUS REDUCED EXPORT VOLUME DUE TO TRANSPORT BOTTLENECKS MAKE IT UNLIKELY THAT GRZ WILL OBTAIN ANY SUBSTANTIAL TAX REVENUE FROM MINING INDUSTRY DURING PRESENT ACCOUNTING YEAR. WILKOWSKI

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